

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 673 - SB 876

March 17, 2013

SUMMARY OF BILL: Authorizes local education agencies (LEAs) that are contributing more than 50 percent of the combined state and local funding required by the Basic Education Program (BEP) funding formula to reduce their maintenance of effort with respect to the non-classroom component of the BEP formula. All other maintenance of effort requirements with respect to the classroom and instructional BEP components shall remain in effect. This provision will apply to funding in the 2014-2015 academic year.

ESTIMATED FISCAL IMPACT:

**Decrease Local Expenditures –
Exceeds \$1,000,000/FY14-15 and Subsequent Years/Permissive**

Assumptions:

- According to the Department of Education, there are two LEAs that could choose to reduce their maintenance of effort based on their local funding contribution in FY12-13.
- In FY14-15, it is reasonably assumed that additional LEAs could implement permissive reductions to local funding.
- The exact amount of any permissive funding reduction is based on multiple unknown factors, including but not limited to, the extent of any LEA's local funding above and beyond the maintenance of effort requirement in FY14-15 and subsequent fiscal years, the extent of each LEA's budget needs, future LEA staffing decisions, and the extent of LEA non-classroom needs. Given the extent of unknown factors, determining a precise decrease in local expenditures is difficult. However, the permissive decrease in local government expenditures is reasonably estimated to exceed \$1,000,000 statewide in FY14-15 and subsequent fiscal years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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